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ABSTRACT

This booklet on housing, 1 in a series of 12, covers all the basic aspects of personal- and family-money management. Suitable for use by high school and college students as well as adults, this handbook shows how to determine housing needs and analyze housing costs, whether one rents, buys, or builds a home. The first five sections briefly overview the booklet and discuss housing needs, locations, setting up of realistic monthly housing allowances, and house buying power. Section 6 discusses the three major housing choices: renting, buying, and building. Use of the professional services of real estate agents, lawyers, contractors, and architects is considered next. Section 8 offers checklists for judging and comparing apartments and houses and provides information for evaluating equipment and facilities in housing. Financing is the focus of section 9, including sources, costs, and features of home mortgage loans and other types of home financing. The last three sections address title search, property insurance, and planning a move. (YLB)

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MONEY MANAGEMENT

YOUR HOUSING DOLLAR

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CE 034 448

To The Reader

The sponsor of this booklet is Household Finance Corporation. We are a highly diversified, multinational company, with major businesses engaged in consumer finance and other financial and insurance services, merchandising, manufacturing and transportation.

For fifty of its one hundred years of existence, HFC has prepared and distributed **Money Management** educational materials. Why do we sponsor this type of program? Just as a good physician is interested in the physical well-being of individuals and families, we have a deep interest in their financial health. Our present **Money Management** materials include booklets, filmstrips and leaflets that cover the most important areas of personal and family finance. Their content is based on continual research and experience, as well as on consultation with specialists in education, business and government.

It is gratifying that our materials continue to be used so extensively by educators in high schools, colleges and universities . . . by extension workers . . . journalists, radio and TV commentators . . . by social workers . . . youth counselors . . . clergymen . . . by leaders in business, industry, government and the community . . . as well as by individuals and families. This acceptance encourages our continued support of a program which has as its aim the development of informed, educated consumers, well able to protect their economic interests.

G. R. Ellis
Chairman of the Board and Chief Executive Officer
Household Finance Corporation

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introduction

What does home mean to you? Is it the center of activity or simply a headquarters—somewhere to begin and end the day? Perhaps it is a place to relax away from the pressures of a job or to enjoy with friends. Home means something different to everyone. But for families and individuals alike, it is a background for living.

The money you spend on housing is an investment in happier living. You can make the most of housing dollars if you know what you want in a home, how much you can spend on housing, and how to find a home that will meet your needs and fit into your spending and saving plan.

managing housing dollars

Whatever type of housing you choose, you will spend a sizable amount of money during your lifetime for the roof over your head. The cost of housing your family not only includes rent or mortgage payments, but also may include related expenses such as utilities, insurance, decorating, repairs and remodeling. Moving from one home to another also adds to housing costs. In addition, homeowners pay property tax and mortgage interest plus the initial costs of buying or building. There also may be special assessments for community services such as trash pickup, police and fire protection, and new schools.

While costs vary in different locations and for different families, housing is a major expense in every family spending plan.

To make the most of your housing dollars:

- determine your housing needs.
- decide where you want to live.
- know how much you can spend on housing and related expenses.
- decide whether to rent, buy or build.
- know when and where to seek professional advice.
- learn to judge and compare different types of housing.
- decide how to finance buying or building.
- buy insurance to protect your home and possessions.
- preplan your moves to save time, energy and money.

what are your housing needs?

As you pass from one stage of living to the next, your housing needs are likely to change. Consider your place in the life cycle and plan your housing to meet present needs and prepare for future requirements.

- ***Single persons*** often live in a single room or a small apartment. Many who live alone want independent living, easy care and upkeep, a safe building and neighborhood, an opportunity to meet people and enjoy social activities.
- ***Newly married couples*** frequently live in an apartment or rented house or may purchase a mobile home. Those who begin planning and saving early for future housing needs and wants will be in a stronger financial position to

acquire the home of their choice later.

- ***Families with their first baby*** usually need more space for baby furnishings and equipment. If additional children are planned, families may be ahead financially by looking for a home to meet present as well as future needs.
- ***Families with children in school*** require space for privacy, for individual and group activities, for children to play, for parents to relax and entertain. As children get older and find the home a source of pride, it may be a good time to redecorate or replace old furnishings.
- ***Families with children leaving home*** for college, marriage or a job may require less space and furnishings. As children begin their own families, parents may move to smaller quarters, planning for their own needs and occasional visits from children and grandchildren.
- ***Retired individuals or couples*** may want a one level home, additional automatic equipment, built-in conveniences, and easy maintenance. Perhaps they will want to move to an apartment, a small home, or a mobile home in a community with more services and activities and a moderate climate.

People differ widely in what they consider important and essential in a home. Some want space . . . others want small, easy-to-clean homes. Some prefer apartment living . . . others want a house and yard. One family wants a finished basement for extra living space . . . another prefers a "catchall" basement that requires little care . . . some want no basement at all. This family prefers a two story house . . . that family likes one level. Location is most important to some . . . the house or apartment itself is the main concern of others. New buildings appeal to one family . . . old buildings are the pride of another.

Unless you have looked for an apartment or a house recently, your ideas on what you want in living space and the choices available to you may be vague. If you plan to look soon, discuss personal and family housing needs and list the things you must have in a home. You also may wish to list things that are desirable but not essential. Decide where you will and will not compromise. A few leading questions may help you put your requirements on paper.

- ***What are your feelings about a home?*** How important is an attractive, comfortable home to you? Do you spend many hours at home? Do you entertain frequently? Are you willing to give up other things to have the house or apartment you want? Or, would you rather spend less on housing and have more money for travel, education, hobbies or other interests?
- ***What are your special housing needs?*** Do you want a house or an apartment . . . in the city or suburbs . . . in a new area or an older neighborhood? How many rooms do you need? Will each youngster have his own room? Do you need or want a separate dining room, family room or den? Must you have more than one bathroom? Do you need a basement, attic or garage? Must you have a yard and play space for small children? Must you be close to schools, public transportation, shopping areas? Does your work influence your choice of a home and location? Do you need office space at home? Does illness or a physical handicap in the family make an apartment or one level home desirable?
- ***What are your non-housing needs?*** Do you have major non-housing expenses that require you to spend a minimum for housing? For instance, do you have heavy medical bills, school tuition or college costs, past debts, or business expenses to pay over a period of time? Are you financially responsible for an older relative?
- ***How much can you afford to pay?*** What will your current income allow you to spend on housing each month? What size rent or mortgage payment can you handle together with other housing costs? What is your future earning power? Can you expect your income to increase soon and regularly? How will it affect your housing allowance?

where do you want to live?

For many, location is as, if not more, important than the house or apartment itself. When you choose a home, you also choose a community, a neighborhood, a street and neighbors. Location is particularly important when you buy because it affects the value of property. Find out as much as possible about different areas before you make a choice. Drive through different neighborhoods; talk to residents; visit schools and stores; talk to school administrators, businessmen, realtors. Compare one community with another until you find the area that is most desirable. As you look, consider the following:

- ***Appearance.*** Is the community well-maintained? Are houses or apartment buildings attractive and in good condition? Are lawns well-kept? Is there a pleasing variety between site plans and building styles? Do you like the street layout?

- ***Convenience.*** Will you be close to stores, shops and services . . . to educational, recreational, religious and cultural facilities . . . to public transportation?

- ***Schools.*** Do they meet high standards? Are teachers well-qualified and adequately paid? Are class sizes limited? Are special classes offered for slow, disturbed or gifted children?

- ***Community Services.*** Are police and fire protection reliable? Are community water supply and sewage systems adequate? Is convenient public transportation provided? Is trash picked up regularly? Are streets, parks and public areas well-maintained and well-lighted?

- ***Neighbors.*** What are the ages, occupations and interests of people in the area? Are there some differences as well as similarities? Are there children in the same age group as yours? Do you think you would enjoy living in the neighborhood?

- ***Living Costs.*** What will it cost you to live in the community? What is the income level? What will you pay for transportation, commuting, insurance, taxes, utilities and community services? Is it likely that special assessments will be levied soon?

- ***Privacy.*** Are houses in the neighborhood far enough from each other? Are yards partly hidden from the street? Would you be disturbed by voices and noise from other houses, apartments or the street?

- ***Character of the Community.*** Is the residential area set apart from the business district and industrial activity. What are the zoning laws and building codes? Will you be a reasonable distance from factories, railroad tracks, thoroughfares and expressways? Is the area free of smoke, odors, fumes, heavy traffic, unpleasant noises? Is the community well-established and not likely to change soon? Do you think property values will go up in the future?

People differ not only in the type of housing they need and want, but also in the amount they are able and willing to spend for it. The amount you spend will depend largely on what you want in a home ***and*** your other needs and wants.

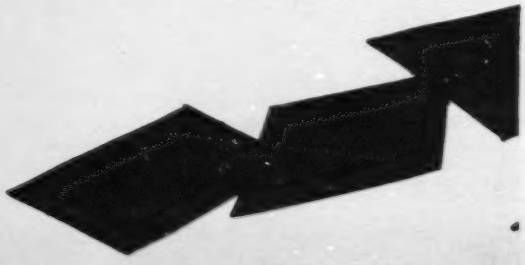
To decide how much you can safely spend each month for rent or mortgage payments and other housing expenses, ***set up a realistic monthly housing allowance.*** This involves analyzing current housing costs, estimating future expenses, and fitting shelter costs into your overall spending plan.

1. ***How much must you spend to meet monthly housing expenses?*** Go over the amount you now spend on housing each month. If you have not kept a record of your spending, you will need to go through canceled checks, receipts, tax forms, and other records that can help you reconstruct your expenditures. Divide annual expenses—taxes, insurance, heat—by 12 to arrive at the amount to put aside each month for these costs. Do not list taxes or insurance if they are included in mortgage payments. On the adjoining form, list your present expenses in the column marked "current." In the column marked "future," write down the amount you expect to spend each month on your next house or apartment. (Consider probable cost increases due to inflation.)

2. ***If you plan to move, how much should you set aside each month to handle these expenses?*** Estimate costs connected with moving and add the amount to your housing allowance for the year that you move. Divide total moving cost by 12 to determine the amount to set aside each month.

If you buy or build a home, also include the expenses described on page 9, under ***Know Your House Buying Power.***

3. ***Do monthly housing costs fit into your overall family spending plan?*** These questions may serve as a guide. How much money do you have to spend each month? How much must you spend to meet expenses such as food, installment payments, transportation, household supplies, savings, religious contributions, etc.? How much should you set aside each month to meet expenses, such as taxes, insurance premiums, clothing, medical expenses, school tuition, and vacations as they occur? How much is left for housing? If the amount you spend for housing does not fit your spending and saving plan, see what changes you can make. Can you reduce housing costs and/or other expenses? Can you postpone some purchases, do without others, or find ways to increase income? Possibly you can



CAN YOU AFFORD IT?

Monthly Housing Expenses	Current	Future
rent or mortgate payments	$	$
property taxes		
property insurance		
special assessments		
heat		
utilities (gas, water, electricity, phone)		
services (yard care, trash pickup)		
savings fund for maintenance, repairs, remodeling)		
other		
Total	$	$

Costs Connected with Moving	Estimated Cost
movers	$
repairs (on older house)	
decorating	
new furniture and appliances	
home and yard equipment	
buying and/or cleaning rugs, carpets and draperies	
fees or deposits for services (gas, electricity, water, phone)	
miscellaneous	
Total	$

make some of the things you own last longer. If you are saving regularly now, decide how much of your savings you are willing to use for shelter costs. Try to adjust your spending so that housing costs will fit comfortably into your overall spending and saving plan. The booklet ***YOUR FINANCIAL PLAN,*** listed on page 42, provides complete information on setting up a money management plan.

know your house buying power

If you are interested in homeownership, it is important to know your ***house buying power***—the amount you can safely invest in a house without sacrificing other important needs and wants. Your house buying power depends on your ***monthly housing allowance,*** on your ***cash reserves,*** and on your ***future earning power.***

Your ***monthly housing allowance*** determines what size mortgage payment you can handle each month plus other regular housing expenses. If you can make relatively large monthly payments, you may be able to obtain a larger loan, pay it off faster, and pay less for finance charges. It is desirable to make monthly installments as large as you can without putting a strain on the family budget. Go over your estimate of housing costs before you make any definite decision on a mortgage payment. Make sure that it will fit into your overall spending plan.

Your ***cash reserves*** also affect your house buying power. While a mortgage loan covers the major cost of buying or building, you need cash for a ***down payment*** and for related expenses of becoming a homeowner. Down payments usually run between 10% and 30% of the purchase price on a house. Other expenses vary with different houses and different areas. Don't underestimate your need for cash. Moving costs, closing costs, new furnishings, and unexpected expenses can run into hundreds of dollars. It is wise to be prepared. Your answers to the questions on page 9 can help you determine your cash needs and decide what size down payment you can make.

Since a mortgage loan is a long-term obligation, your ***future earning power*** also should be considered in deciding how much you can spend for housing in years to come. While your monthly housing allowance and your cash reserves are the most important guides to your house buying power . . .

you can invest more if:

- you expect your income to increase soon and regularly.
- you can keep non-house expenses to a minimum.
- you do not have or expect many major financial obligations.
- you have enough savings and insurance for emergencies.
- you are willing to give up other things for the home you want.

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- you can do your own repairs and maintenance.

you should invest less if:

- you expect your income to fluctuate, be interrupted, or possibly end.
- you expect to change jobs and the future is uncertain.
- you have or expect heavy financial obligations.
- you are not prepared for emergency expenses.
- you find other wants as important as a house.

1. How much cash can you raise?	
* savings	$
* investments	
* selling your present home	
Total Cash	$

2. What are your cash needs?		
* moving costs (see page 7)	$	
* a reserve fund for the unexpected		
* estimated buying and closing costs		
appraisal		
property survey		
tital search and insurance		
transfer tax		
recording fees		
notary fee		
mortgate processing charge		
credit report		
deposit toward insurance taxes and assessments		
insurance		
other		
	Total	$
* estimated building costs (omit if you buy an existing house)	$	
the lot		
house plans		
architect's fee		
contractors' fee		
liability insurance		
inspection fees		
landscaping		
extra building costs		
building permit		
other		
	Total	$
	Total Cash Needs	$

3. How much will you have left over for a down payment? Subtract total cash needs from cash you can raise. You can use this balance for a down payment.	$
Balance	$

will you rent. buy. build?

What is the best way to obtain the type of housing you want for your family? Do you prefer renting or owning? Would you rather buy or build? What is the answer to your housing problem?

Today the majority of families in the United States and Canada are homeowners. Many who rent wait impatiently for the right time to buy or build. Others have no desire to take on the responsibilities of homeownership. Both renting and owning offer advantages and disadvantages. To decide which is better for you, consider your place in the life cycle, the size of your family, your occupation, your financial situation, the housing market in your area, your personal preferences and, in the United States, tax deductions for mortgage interest and real estate taxes.

You may want to rent when:

- you cannot estimate future housing needs.
- you want to become familiar with a new community before investing in a house.
- you expect to move soon and/or frequently.
- you do not have enough money for the down payment, closing costs, and other expenses involved in buying a home.
- you do not want the responsibilities of homeownership.
- you can find better housing for the amount you can afford to pay by renting.

You may want to buy or build when:

- you can realistically estimate future housing needs.
- you know where you want to live.
- you expect to be in the same location for a number of years.
- you can make an adequate down payment, arrange a suitable mortgage, and pay closing costs and other expenses involved in buying or building a home.
- you want to own a house and welcome responsibilities that go with it.
- you can find a house and neighborhood you like ***only*** if you buy.
- you find market conditions are favorable for materials, labor and construction costs.

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rental choices

Rental housing offers two important advantages–greater mobility and minimum responsibility. The most common types of rental housing include ***apartments, duplexes or townhouses, and individual houses.***

- ***Apartment living*** requires the least amount of responsibility for the tenant. The landlord or management usually takes care of heating, yard and grounds, decorating, repairs, upkeep and maintenance. In addition, major appliances and laundry facilities may be furnished and rent may include some or all utilities. However, apartment living normally offers little or no private yard space, limited storage area, and less privacy than a house or duplex. Before deciding on an apartment, if possible, talk to other tenants in the building. Find out what they like and dislike about the building, the landlord or management, and the neighborhood.
- ***Duplexes and townhouses*** offer some private yard area, more living and storage space, and more privacy than most apartment buildings. However, they do not come with the same services and equipment. Utilities may not be included in the rent and tenants often must take care of yard, sidewalks, heating, some repairs and upkeep.
- ***Renting a house*** usually provides more living space, better storage facilities, and greater privacy than other types of rental housing. Houses generally include a yard, parking space, and possibly a garage. The tenant in a house may be responsible for routine upkeep and maintenance, yard and sidewalks, screens and storm windows. He normally pays for utilities, heat, trash removal, and other services. He also may be responsible for decorating and minor repairs.

check the lease carefully when you rent housing

A lease is a written or verbal agreement between landlord and tenant. A written lease–dated and signed by both parties–is a legal document which binds landlord and tenant to the terms stated in the agreement. Verbal leases for less than one year are binding in most states, but with no written evidence of the agreement, they are difficult to enforce. Before entering a lease agreement, find out what specific responsibilities and obligations you are assuming ... what you may and may not do with the property... what the landlord will and will not do for you.

Practically every lease states the name and address of the landlord and the tenant, the amount of rent and how it is to be paid, the beginning and terminating dates of the rental, a description of the property. Other terms vary with different landlords and in different areas. Read the lease carefully to find the answers to the following questions.

- ***What is covered by the rent?*** Are any utilities included? Are decorating, window washing or other services provided without charge? Is garage or parking space included in the rent?

- ***Who is responsible for upkeep, repairs and maintenance?*** In apartments the landlord is responsible for the building and major plumbing, electrical and structural repairs. In houses the landlord usually assumes less responsibility. Find out what obligations you assume before you sign the lease.

- ***How and when may the lease be terminated or renewed?*** What notice must you give if you plan to move when the lease ends? Is the lease automatically renewed if you fail to give notice? How far in advance must you renew the lease? What notice will you receive if the landlord intends to change the terms of the lease or renewal?

- ***What happens if you must move before the lease expires?*** Can you sublet? Is there a fee for subletting? Normally, you must carry out the terms of the lease if the new tenant fails to do so unless the landlord offers a lease to the new tenant. Can you have a clause written into the lease which cancels your responsibility if you are transferred before the lease expires?

- ***What extra costs must you pay?*** Is there a penalty for paying rent late? Must you make a security deposit? If so, how much and when is it returned? Can rent be increased before the lease expires? If so, when, by how much, under what circumstances?

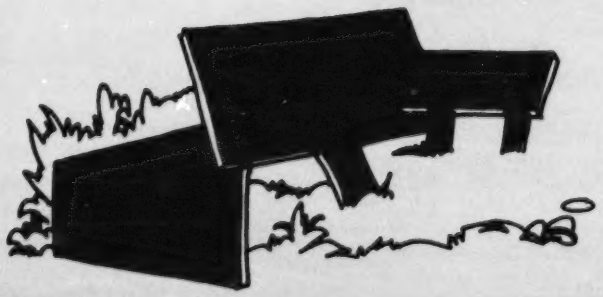
- ***When may the landlord or his employees enter your home?*** A landlord has a right to inspect his property, but you have a right to set up reasonable conditions for his entering—unless an emergency makes it necessary to enter without your permission.

- ***What rules and regulations must tenants follow in using the property?*** Can you decorate, keep pets, carry on business, install carpeting or equipment? What rules govern the use of facilities in the building? Are restrictions reasonable? Are they enforced?

- ***Does the landlord have a lien on your personal property?*** A landlord's lien permits him to hold your furnishings and belongings until you fulfill your financial obligations to him.

- ***Are all agreements with the landlord written into the lease?*** Don't rely on verbal agreements. If the landlord makes promises that are not in the printed lease, ask that they be written and attached to the lease. This applies to promises such as the right to sublet...repairs on the property...allowances for decorating...responsibility for maintenance.

It pays to shop carefully for suitable rental housing—particularly when you sign a one, two or three year lease. To find rental housing, read classified ads in newspapers, advertise your needs in the paper, contact a real estate agent, look for rental signs in neighborhoods you like, ask friends and people with whom you work to call if they hear of rentals.



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buying choices

Homeownership usually offers a wider choice in location and housing arrangements than rental housing. The homeowner also knows that mortgage payments will remain the same over the years. Most people who purchase homes consider themselves, in the long run, better off financially since they are investing their money rather than just spending it on rent. However, perhaps the greatest advantage is the personal pride and satisfaction of ownership.

When you buy a ready-built home, you have an opportunity to inspect the structure, lot and neighborhood before buying . . . to reach a final agreement on the purchase price . . . to set a definite date for occupancy. The yard and landscaping come with the house. However, it may be difficult, if not impossible, to find an existing home that meets all your requirements . . . that needs no improvements or repairs . . . that does not require some compromise on things you want. Before you buy, be sure the home you purchase can be maintained or reconditioned to suit your needs and wants without requiring constant repairs to retain its soundness and livability.

Buying choices include ***new houses, older houses, cooperative apartments, condominiums, townhouses, modular houses, and mobile homes.*** There are advantages, disadvantages and special factors to consider for each choice. Your decision will depend on your needs, your preferences, the amount of money you have to spend, and the housing available in your area.

Inspect and compare the types of housing available to you. Study each floor plan for functional use. Check the kitchen, utility area, the number of rooms and baths. Observe whether there is wasted space. Check to see if proper attention has been given to details which may reflect the quality of workmanship. Find out the total square feet of living space.

New houses not previously occupied are normally fresh and clean with everything in excellent condition. Usually they are built with up-to-date building materials and methods, with modern fixtures and equipment, with efficient heating and cooling systems, with adequate lighting and wiring.

The quality and cost of new houses vary. Workmanship, design, materials, fixtures and equipment are better in some houses than in others. Compare a number of different houses to find the best value. Find out who designed and built the house . . . what guarantees come with it . . . whether the builder has a reputation for well-designed and well-constructed houses. Talk with builders, their clients, and financial institutions in the area for information on new houses and developments.

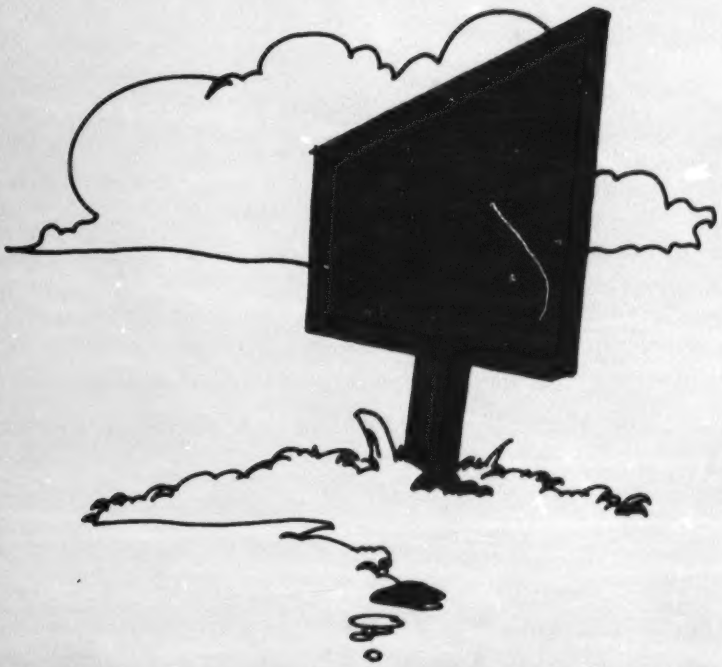
While there are advantages to new homes, there also may be some disadvantages to consider—possible isolated location, undeveloped neighborhoods and recreational facilities, inconvenient shopping areas and transportation.

Older houses normally are located in established neighborhoods and the property is already landscaped. They come with a wide variety of floor plans and exterior designs, and often provide more space for the same money. However, depending on when they were built, they frequently require repairs, improvements or modernization and sometimes cost more to maintain as well. If you are considering an older house you may want to have it appraised by a qualified, independent appraiser. A Realtor or financial institution can usually recommend one. Appraisers' fees often start at $125, but because these do vary, it is wise to discuss costs ahead of time.

When buying a home which has been previously owned, protection for both the buyer and seller against any unknown material defects in the basic structure or functional components of the home helps to minimize possible losses.

This protection is generally available through home protection service contracts. If you are interested in a program or plan which will provide a limited one-year warranty, check with your state Department of Insurance and/or Real Estate Commission for names of firms doing business in your area.

Cooperatives and condominiums are similar in that occupants enjoy a form of ownership in their specific units and share the expenses of operating the building and maintaining common areas—halls, stairs, lobbies, equipment and grounds. Both offer some advantages of homeownership usually at a lower cost than is possible in comparable individual houses. The two types of housing differ in the following ways.



The cooperative member:

- buys a ***share*** in a corporation that owns the building or project and then leases the individual unit he occupies.
- pays a monthly assessment, based on the size of his unit, to cover services, maintenance, taxes and mortgage for the entire building.
- accepts financial responsibility for his own payments and for any increase in assessments that may be required if one or more members fail to make their payments.
- votes to elect a board of directors who determine policies for the corporation according to its bylaws.

- agrees to obtain approval from the corporation before remodeling, selling or changing his unit.

The condominium owner:

- buys an ***individual title*** to the unit he occupies and gains ***joint ownership*** of common areas and facilities in the building.
- arranges his own mortgage, pays taxes individually on his unit, and makes separate payments for building maintenance and services.
- accepts financial responsibility only for his own unit and for his share of the overall operating expenses.
- votes to elect a board of managers to supervise the property and see that it is run according to the bylaws set forth in the "declaration" or legal description of the property.
- receives the right to refinance or retire his mortgage and to sell or remodel his own unit.

If you invest in either a cooperative or condominium, in a sense, you are going into a partnership with others. Before making an investment of this type, find out:

- who manages the building or project.
- what control occupants have over management decisions.
- the financial status of the building.
- what common grounds, facilities and services are available to occupants.
- the monthly maintenance charge and what it covers—when and under what circumstances it can be increased.
- what financial responsibilities occupants must assume beyond their monthly payments.
- how the appraised value of the property compares with the selling price.
- how the investment plus the monthly assessment compares with the cost of other types of housing.
- what rules govern the occupant's right to occupy, decorate, remodel, rent or sell his individual unit.
- what types of individuals and families live in the building.

The ***townhouse or rowhouse*** is an individually owned home with its own front and back but with common side walls. It usually includes a back yard that is walled, fenced or screened for privacy. The main advantage of the townhouse is economy. It permits savings on the cost of land, windows, insulation, exterior finishes, foundation, roof and walls. Townhouses may be sold as condominiums. Before buying a townhouse, check on soundproofing of shared walls, restrictions on altering exteriors, parking facilities, privacy of the rear yard, and estimated resale value. Also, find out who owns or lives in the other houses in the row since the occupants would be close neighbors.

Industrialized housing or factory-produced housing includes modular houses and mobile homes. A ***modular house*** consists of factory manufactured, standard living-unit sections that can be arranged in various ways to alter the size and design of the final house. There are two types of modular units: 1) the "wet" modules, which include plumbing, heating, bath and kitchen equipment, and 2) the "dry" modules, consisting of bedrooms, living rooms, and dining rooms. The buyer can choose the particular sections that, when assembled, will best suit his housing requirements. Generally, modular homes are financed the same as conventional homes. However, some large manufacturers also offer aid in financing.

Modular housing offers several advantages. Each manufacturer publishes a list of the type and quality of materials used to assure the buyer of consistent quality. Modular houses can be built to comply with local building codes. In addition, construction methods are designed to provide a completed home in a few days.

On the other hand, remember that the modules are manufactured in standard living-units; therefore, limited design variation is available to the buyer.

A mobile/manufactured home is a transportable structure built on a permanent chassis. It is designed to be used as a dwelling with or without a permanent foundation, when connected to the required utilities. New mobile/manufactured homes include plumbing, heating, air conditioning and electrical systems, and usually are sold fully equipped with appliances and furniture.

Mobile homes have particular appeal to young marrieds and retired persons since this type of housing requires a lower initial investment and relatively low maintenance costs. Mobile home costs range from $8,000 to $100,000, depending on size, appliances and furnishings—with an average price range from $12,000 to $40,000.

Approximately 15% should be added to the cost for the purchase of "extras." Steps with handrails and skirting are necessary, canopies, awnings, carports are options. If the home is not located in a park, a concrete "pad" or runners must be prepared on which the home is sited. Blocking and levelling costs must be paid. Insurance for mobile homes can be purchased through the financing source, thus enabling the buyer to make only one payment for home, furnishings, appliances and insurance. Or if the buyer prefers, insurance and furnishings can be purchased separately.

Since June 15, 1976, mobile homes produced in the U.S. must meet federal government standards for safety and construction, and each must carry a seal that certifies compliance. Consumer manuals that include information on warranties and safety systems, procedures for setting up the homes, care instructions, etc., must now be provided with each unit.

Mobile-home financing can be arranged in much the same manner as any consumer credit—through dealers, consumer finance companies and credit unions. Since mobile homes have become larger and are now more frequently located on a permanent site, commercial and mortgage banks and savings and loan associations have made traditional mortgage financing available. Terms range from seven to 15 years—longer if the site is included in the purchase price. Both the Federal Housing Authority (FHA) and the Veterans Administration (VA) offer mobile home loan programs. The maximum dollar amount and length of the VA and FHA loans vary, according to whether the home is a single or double-section home. The Veterans Administration will also authorize loans on the purchase of the mobile home site.

Be sure to check all the financing alternatives available to determine which offers the best terms for your needs. Be certain you understand the finance costs involved.

Before buying a mobile home, locate a site that meets your standards. Look for a park with a pleasing appearance, adequate water, sewage and electricity. Check recreational facilities located in the park itself and find out what transportation, shopping, religious and educational facilities are nearby. Talk to the residents. Find out what they like and dislike about the park, the management, and the neighborhood. Ask the management to fully explain the park rules before you decide to move.

If you wish to move or buy another home, park owners in some states may not permit the selling of your present home to another person who wishes to live in the park. This policy should be clearly understood before you move in. If you plan to locate on an individual site rather than in a mobile home community, be sure that local zoning codes permit mobile homes. Mobile homes can be located on private property, in rental park units, or in planned unit developments, in which the mobile home owner owns his own home, the lot and, with other co-owners, an equal portion of common areas and facilities.

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building choices

Some families prefer to become homeowners by building a house. This offers the opportunity to tailor a house to your needs . . . to select the fixtures, colors, building materials, and floor coverings that appeal to you . . . to move into a new home with everything in good condition.

However, building a home is more complex than buying an existing house. You must choose the type of house to build . . . find a suitable lot . . . obtain house plans and specifications . . . judge the house by sketches and blueprints . . . hire an architect and/or contractor . . . select materials and fixtures . . . arrange adequate financing . . . plan and pay for landscaping. Although it requires a good deal of thought, time, energy and money, building a home can be a satisfying and rewarding experience.* You can build in one of several ways.

- ***Buy a stock house plan and hire a contractor to build from it.*** Stock plans are available from magazines or building material dealers and, in Canada, from the Canada Mortgage and Housing Corporation. They include a set of blueprints showing the floor plan and construction details together with a list of suggested building materials and a set of specifications. However, ***before you buy a stock plan,*** be sure the specifications are complete . . . the plan is suitable for your lot . . . the house conforms to local building codes and zoning laws . . . the financing you need is available . . . the plan fits your needs without costly major changes. You may want to hire an architect to check the plans before you start to build.
- ***Choose one of several houses offered by a builder.*** In this method the plans, building costs, and lot may be included in one total price—or offered separately. The house may come only "as is" or with a choice of outside finishes, room arrangements, and decoration. Normally, the builder who presents the plans builds the house. This type of building may offer savings in land, building costs, materials and financing. ***Before you buy a builder's house,*** find out exactly what comes with the house and what is extra. Check on guarantees and the builder's reputation for fulfilling the terms of guarantees. When buying into a development, investigate the plans for the entire area as well as those for your home. Find out whether the exteriors will be similar or varied. Check neighborhood features listed on page 6.

*In 1974 in the United States, the National Association of Home Builders instituted a national program on newly constructed homes called HOW-the Home Owners Warranty program. It includes a warranty, warranty insurance, and insurance against major structural defects which extends to the tenth year. Builders participate on a voluntary basis, and warrant that they will be responsible for defective workmanship and faulty materials during the first year. In the second year, the builder continues to warrant that the home will be free from major structural defects and that the plumbing, heating and cooling and electrical systems will perform according to approved standards. During these two years, insurance backs the builder's warranty, in case the builder cannot or will not honor it. From the third through the tenth year, insurance protects the home against structural defects only. HOW also includes a dispute-settlement service which uses conciliation and arbitration to solve problems—outside the court system and at no cost to the homeowner. The FmHA, FHA and VA also offer special programs increasing the availability of HOW to consumers.

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- ***Buy a prefabricated house from a franchised dealer.*** This type of house is to a great extent factory built. Sections of walls, floors, partitions, ceilings and roofs are made in a factory, shipped to the building site, and erected by the franchised dealer. Nonfactory parts are built on the site. Manufactured homes come in many styles. They usually offer savings on materials and building costs, but transportation and shipping costs may offset savings. ***Before you buy a prefabricated house,*** find out if it is suitable for your lot... if local building codes and zoning laws permit prefab houses . . . if financing is available . . . if it compares favorably with other houses in cost, materials, workmanship, design . . . if the quoted price includes all costs of materials and labor and, if not, what additional costs you must pay.
- ***Buy a shell house and complete it yourself or hire a contractor to finish it.*** A shell house is sold unfinished—to be completed by the buyer or by someone he hires to do the job. This type of building is low cost *if* you have the skills, tools, time and energy to finish the house. However, financing may be difficult to arrange. ***Before you buy a shell house,*** know what materials and finished parts you will receive . . . what materials, tools and skills are required to complete the house . . . what financing arrangements are available.
- ***Hire an architect to design a house specifically for you.*** An architect's services range from preliminary sketches to supervision of the construction depending on your agreement with him. However, this is usually a costly way to build. Page 19 presents more information about selecting an architect.

when do you need a specialist?

Buying or building a home is one of the biggest and most important financial transactions of a lifetime and, unless you are very exceptional, you do not buy or build houses often enough to become an expert. Consequently, you may need the help of one or more specialists—***a real estate agent, a lawyer, a contractor, an architect.***

The ***real estate agent*** or Realtor is in business primarily to bring buyer and seller together to negotiate a sale. His knowledge of the housing market and property values makes him important to both buyer and seller. He can help you find a house, in an area, at a price that suits you and your family. In handling the sale of property, the agent receives a commission for his services—generally a percentage of the sale price. However, the agent usually represents and is paid by the seller. You, as a buyer, must look after your own interests when it is time to close the deal. Real estate agencies also can be helpful in finding rental housing.

In selecting a real estate man or woman, look for the term ***Realtor.*** This is a registered collective membership mark that can only be used by an individual who is licensed to sell real estate and is a member of the National Association of Realtors in the United States or the Canadian Real Estate Association (CREA) in Canada.

It is possible to buy a home from a seller without going through an agent, and thereby save the agent's commission. However, only a limited number of houses are "for sale by owner," and it may be difficult to find what you want on your own. A Realtor can usually save you time, trouble—maybe even money.

The ***lawyer*** is the one professional person whose services you probably need whether you buy or build a house. Real estate law varies in different states and provinces. With his knowledge of the legal aspects of buying and selling property and building a home, a lawyer can look after your interests. Ask him to check papers and agreements drawn up by other sources to be sure that they include provisions that are important to you.

If you do not have a lawyer, look for one who is a member of the local, state, provincial or national bar association and one who is known for his knowledge of real estate law, sound professional ethics, and competence. Financial institutions, your employer, real estate agent, a friend or relative may be able to recommend a lawyer. In some cities the bar association sponsors a lawyer referral service to put people in touch with qualified lawyers.

The ***architect*** is trained to design new homes and remodel or improve existing homes to meet the particular needs of his clients. He can plan your house, choose appropriate building materials, find a suitable lot, and select and hire a contractor. He usually supervises the work to be sure that the house is built or remodeled according to the specifications in the plan.

If you plan to hire an architect, look for a man who has designed or remodeled houses that appeal to you and who is recommended by his former clients. In the United States, the initials AIA or FAIA after his name indicate that he is a registered member or Fellow of the American Institute of Architects. In Canada, the initials MRAIC or FRAIC indicate that he is a member or Fellow of the Royal Architectural Institute of Canada.

Meet with several different architects to discuss your needs. Find out how each man works . . . what type of home he would design for you . . . what he charges for plans, working drawings, specifications and supervision . . . how soon he could begin. ***Do not*** ask for sketches unless you are willing to pay for them or until you are seriously considering a particular architect.

The ***contractor*** or home builder accepts the primary responsibility for building your home. It is his job to see that the house is built according to plans, specifications and the terms stated in the contract. He orders and pays for materials, schedules the delivery of materials, and hires subcontractors to do parts of the work. A contractor usually is paid a lump sum based on his original bid or a cost-plus amount which includes the cost of materials and labor plus a fixed fee. If you have an architect, he may select a contractor for you.

If you select your own contractor, look for a man who follows house plans to the letter, uses quality workmanship and materials, maintains high standards of integrity, and handles financial matters competently. Check the contractor's reputation with his former clients or with the Better Business Bureau. A local branch of the National Association of Home Builders in the United States or the Housing and Urban Development Association of Canada (HUDAC) may be able to recommend a competent contractor or home builder and possibly give you names of clients who have used his services. Banks, savings and loan associations, and real estate agents also are good sources of information.

how can you judge housing?

You cannot take all of the guesswork out of house hunting. No matter how carefully you investigate beforehand, there are bound to be some surprises—good and bad—after you move into an apartment or a house. The following checklist can help you judge and compare different apartments, houses and living quarters to find the best home for you whether you rent, buy or build. Based on your overall spending plan, establish a price range either for rental or for a purchase so that you will not waste time looking at housing that is beyond your means.

As you read through the checklist for a house or apartment, check the features that are most important to you and your family. Compare those features in several houses or apartments. If you plan to build, look for the same features in different house plans before making your decision.

CHECKLIST FOR APARTMENTS

Building and Grounds

__ attractive, well-constructed building
__ good maintenance and upkeep
__ clean, well-lighted and uncluttered halls, entrances, stairs
__ reliable building management and supervision
__ attractive landscaping with adequate outdoor space for tenants
__ locked entrances, protected from outsiders
__ clean, attractive lobby

Services and Facilities

__ laundry equipment
__ parking space (indoor and outdoor)
__ receiving room for packages
__ convenient trash collection and disposal
__ adequate fire escapes
__ storate lockers
__ locked mail boxes
__ elevators
__ engineer on call for emergency repairs
__ extras - window washing, decorating, maid service, shops, doorman

Living Space in the Apartment

__ adequate room sizes and storage space
__ convenient floor plan
__ suitable wall space for furniture
__ soundproof. Listen for talking, footsteps, plumbing and equipment noise from other apartments or hallways.
__ attractive decorating and fixtures
__ pleasant views
__ windows located to provide enough air, light and ventilation
__ agreeable size, type and placement of windows
__ windows with blinds, shades, screens and storm windows
__ easy cleaning and maintenance
__ attractive, easy-to-clean floors
__ furnished appliances in good condition
__ clean, effective heating, thermostatically controlled
__ up-to-date wiring
__ conveniently placed electric outlets
__ well-fitted doors, casings, cabinets and built-ins
__ extras--air conditioning, carpeting, dishwasher, disposer, fireplace, patio

CHECKLIST FOR HOUSES

Outside House and Yard

__ attractive, well-designed house
__ suited to natural surroundings
__ lot of the right size and shape for house and garage
__ suitable use of building materials
__ compatible with houses in the area
__ attractive landscaping and yard
__ good drainage of rain and moisture
__ dry, firm soil around the house
__ mature, healthy trees--placed to give shade in summer
__ convenient, well-kept driveway, walks, patio, porch
__ yard for children
__ parking convenience--garage, carport or street
__ distance between houses for privacy
__ sheltered entry--well-lighted and large enough for several to enter the house together
__ convenient service entrance

Outside Construction

__ durable siding materials--in good condition
__ solid brick and masonry--free of cracks
__ solid foundation walls--six inches above ground level--eight inches thick
__ weather stripped windows and doors
__ noncorrosive gutters and downspouts, connected to storm sewer or splash block to carry water away from house
__ copper or aluminum flashing used over doors, windows and joints on the roof
__ screens and storm windows or Thermopane glass
__ storm doors

Inside Construction

__ sound, smooth walls with invisible nails and taping on dry walls; without hollows or large cracks in plaster walls
__ well-done carpentry work with properly fitted joints and moldings
__ properly fitted, easy-to-operate windows
__ level wood floors with smooth finish and no high edges, wide gaps or squeaks
__ well-fitted tile floors--no cracked or damaged tiles--no visible adhesive
__ good possibilities for improvements, remodeling, expanding
__ properly fitted and easy-to-work doors and drawers in built-in cabinets
__ dry basement floor with hard smooth surface
__ adequate basement drain
__ sturdy stairways with railings, adequate head room--not too steep
__ leakproof roof--in good condition
__ adequate insulation for warmth, coolness and soundproofing

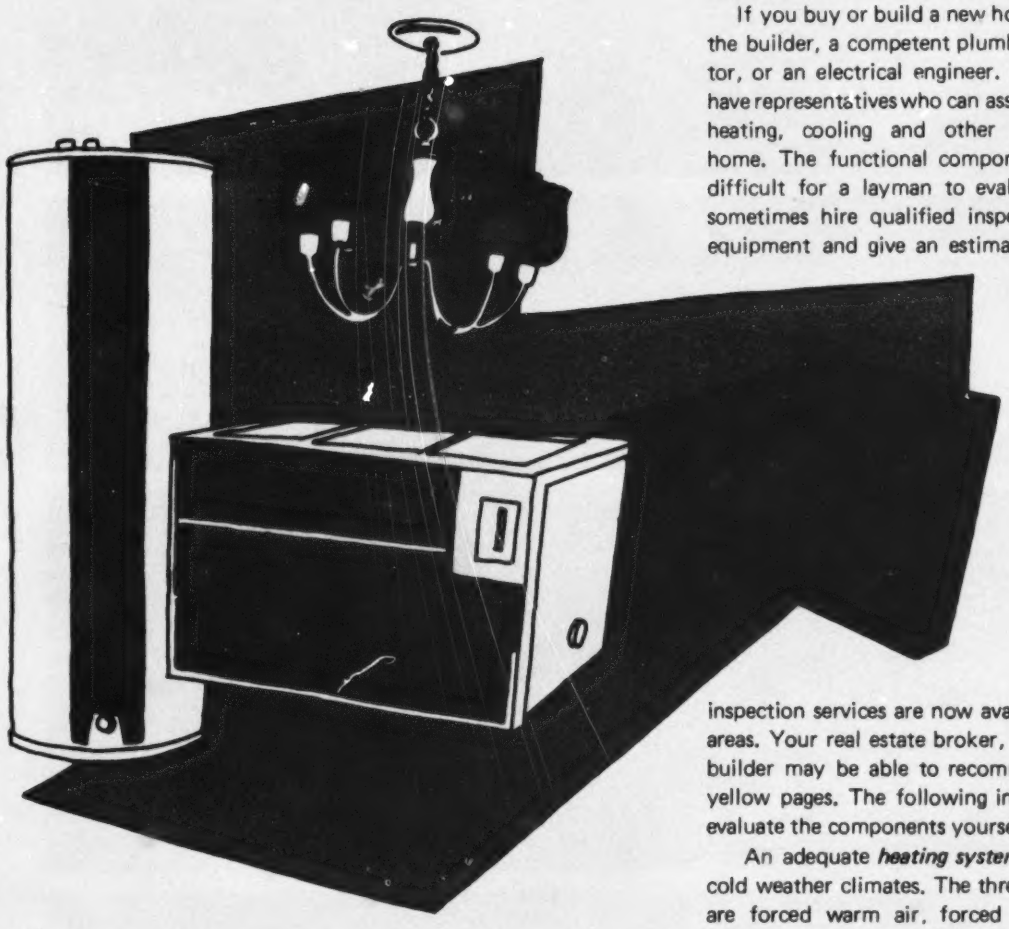
Living Space

__ convenient floor plan and paths from room to room
__ convenient entry with foyer and closet
__ convenient work areas (kitchen, laundry, workshop) with adequate drawers, cabinets, lighting, work space, electric power
__ private areas (bedrooms and bathrooms) located far enough from other parts of the house for privacy and quiet
__ social areas (living and dining rooms, play space, yard, porch or patio) convenient, comfortable, large enough for family and guests
__ rooms conveniently related to each other; entry to living room, dining room to kitchen, bedrooms to baths
__ adequate storage--closets, cabinets, shelves, attic, basement, garage
__ suitable wall space and room size for your furniture
__ outdoor space convenient to indoor space
__ windows located to provide enough air, light and ventilation
__ agreeable type, size and placement of windows
__ usable attic and/or basement space
__ possibilities for expansion
__ attractive decorating and fixtures
__ extras--fireplace, air conditioning,
__ porches, new kitchen and baths, built-in equipment, decorating you like

equipment in the home

Today most houses, apartments and mobile homes are equipped with heating, wiring and plumbing facilities. Many homes also have cooling and water conditioning equipment. Check the equipment and facilities in housing you are considering to be sure that they are in good condition and adequate for your needs. Check the availability and cost of fuel used for heating and cooling systems. (This is especially important in new developments.)

If you buy or build a new house, discuss equipment with the builder, a competent plumbing-heating-cooling contractor, or an electrical engineer. Most utility companies also have representatives who can assist you with lighting, wiring, heating, cooling and other equipment needs for the home. The functional components of an older house are difficult for a layman to evaluate, so prospective buyers sometimes hire qualified inspectors to examine the basic equipment and give an estimate of needed repairs. These



inspection services are now available in many metropolitan areas. Your real estate broker, a loan officer or competent builder may be able to recommend one; if not, check the yellow pages. The following information may help you to evaluate the components yourself, if necessary.

An adequate ***heating system*** is essential for comfort in cold weather climates. The three main types of central heat are forced warm air, forced hot water (hydronic), and electric. Any one of the three, if properly installed, can provide clean, comfortable, uniform heat throughout the house. The warm air and forced hot water systems usually are fueled by gas or oil—sometimes by electricity. Another kind of heating-cooling unit that is becoming more widely used today is the heat pump. Although powered by electricity, it is considered more efficient than standard electric heating and compares favorably with other heating-cooling systems as well.

The cost of fuel depends largely on where you live. To find the most economical fuel, compare local rates for gas, oil and electricity. You may be able to save money if you use the same type of fuel for the water heater, major appliances, and heating and cooling needs. Of course, if you

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live in or are buying a home with a heating system constructed for a particular type of fuel, it may be impractical to change over to another fuel even if the operating costs are less. To evaluate the heating system in a house consider:

- ***comfort.*** Look for the right size system to produce even heat from floor to ceiling throughout the house. If the system is too small, you will not get enough heat during cold weather. If too large, you may get too much heat one minute and not enough the next.

- ***cost.*** Find out what it costs to heat the house each year. Check past heating bills for an existing house. Ask the builder or a utility representative for an estimate on a new house. You can keep costs at a minimum and conserve fuel by leaving the thermostat at 68°F. for daytime living and lowering it five degrees during sleeping hours or when you plan to be away for more than half a day.

- ***sound.*** Turn on the heating unit and listen to it start, run and stop. Quiet operation is pleasant for you and often means quality equipment.

- ***controls.*** Find out how to start and control the heating unit. Can the temperature of different areas, i.e., upstairs, downstairs, kitchen, family room, bedrooms, baths, be controlled separately? Are controls automatic and accurate? Will the heating unit hold a constant temperature?

- ***provisions for cooling.*** Ask if the system can be used for cooling. If not and if you want central cooling, can it be added without great expense? Keep in mind that unless there are separate outlets (vents) for each system—one set for heating, another for cooling—it is difficult to get top efficiency and economy for both operations. You may want to emphasize heating in colder climates and cooling in warmer climates. You can conserve energy by raising thermostats to 78°F. for daytime living.

- ***insulation.*** Adequate insulation increases heating (and cooling) efficiency, thus contributing greatly to living comfort and reduced energy costs. If more or better insulation is desirable, seek advice from several sources: a representative from the utility company, an architect, materials dealers. Certain jobs you can handle yourself—sealing a foundation, insulating an attic or crawl space, weatherstripping, caulking. Keep in mind that landscaping can prove an effective insulator too: trees and shrubs near the house can serve as windbreakers in cool months and provide shade during the warm ones. And don't forget the lower-cost but effective insulating properties of storm doors and windows, draperies and window shades.

- ***quality standards.*** Look for a heating system that meets tests for reliability and safety. Minimum Property Standards

for heating and air-conditioning equipment are set by the Federal Housing Administration (FHA) in the United States for homes purchased with an FHA-insured mortgage, and by the National Building Code of Canada. The latter are mandatory for any residential construction undertaken that uses federal assistance in any form. Warm air heating systems should meet the design standards of the National Environmental Systems Contractors Association. Hot water systems should meet the standards of the Hydronics Institute in the United States, or the Canadian Institute of Plumbing and Heating. Standards for electric systems are set by the National Fire Protection Association in the United States, and by the Canadian Standards Association in Canada.

A home wiring system should meet at least minimum recommended standards in order to supply enough electricity for lighting, small appliances and major electrical equipment.* A minimum capacity of 200 amps is required if you heat or cool your home electrically, and it is advisable to provide extra power for possible future needs. The following features are strongly recommended:

- a minimum capacity of 24,000 watts. A capacity of 36,000 or 48,000 watts is preferable and will be required if you have electric heat or air conditioning.
- both 120 and 240 volt circuits with enough 240 volt outlets for major equipment such as an electric range, water heater, dryer and air conditioner you own or plan to buy.
- individual 120 volt circuits in kitchen and workshop for appliances and equipment.
- space for two additional 120 volt and one 240 volt circuits to handle future needs.
- protective circuit breakers or fuses for safety and convenience.
- adequate, well-placed lighting fixtures.
- switch-controlled lighting for all rooms, hallways, entrances, attic, garage, carport and outside walkways.
- switch control for at least one outlet in rooms where no ceiling fixture is used.
- convenience outlets not more than 12 feet apart in every room.
- weatherproof outdoor outlets with an inside switch to control at least one outlet.

You may want to have an electrician check the wiring and electrical capacity in any house you own or want to buy. Additional information on home wiring is provided in the booklet ***YOUR EQUIPMENT DOLLAR*** listed on page 42.

The ***plumbing system*** should supply enough pure water for drinking, for personal needs, and for water–using equipment you own or plan to buy. The type of water will

* Minimum wiring standards in the United States call for 100 amp service with both 120 and 240 volt circuits and a capacity of 24,000 watts. The basic minimum standards in Canada vary from one province to the next, but 100 amps are generally provided.

depend largely on where you live and the source of water—a public system, a community system, or a private well. Public systems and most community systems provide adequate amounts of safe water and they conform to health regulations in the area. If you are considering a home with a private well, find out whether the water has been tested and approved by health officials and whether the well supplies enough water to meet peak needs. Also, find out if the system is automatic and quiet in operation. In checking the plumbing and water system in any house, consider:

- ***the quality of the water.*** Is the water pure and odorless, good to drink, relatively soft, and noncorrosive?
- ***the water pressure.*** Is the water flow adequate for the water using appliances you own? Can you use more than one cold or hot water faucet at the same time without losing pressure?
- ***the amount of hot water.*** Is there enough hot water for your needs? How is it heated? What is the capacity of the water heater? Is it well-insulated?
- ***the water pipes.*** Is piping made of copper, galvanized steel, galvanized iron, wrought iron, or brass? Is the piping material suitable for the type of water in the area?
- ***the sewage disposal system.*** Is sewage disposed of through a public system or does the house have a septic tank? If you are buying a home with a septic tank, find out when it was last inspected and cleaned. Tanks normally should be inspected every year or two and cleaned when necessary. Is the tank large enough for the house? Minimum size is 750 gallons—3 bedroom homes require a 900 gallon tank; 4 bedroom homes require 1,125 gallon capacity; another 270 gallons is recommended for each extra bedroom.

You may want to have the water supply and plumbing system checked before you buy a house—particularly if you are looking at houses that are not served by a public or community water system. A reliable plumber, water utility official, or municipal authority can analyze the water and check the water pressure in a house. For information on water conditioning equipment—heaters and softeners—see the booklet *YOUR EQUIPMENT DOLLAR* listed on page 42.

Air conditioning not only adds comfort, it also makes a house easier to keep clean and may increase its resale value. In addition to cooling, modern air conditioners filter, circulate and dehumidify the air. You can cool your home with ***room air conditioners*** or with ***central air conditioning.*** Before you decide on either method, consider the cost of buying, installing and operating air-conditioning equipment for your home. Be sure these costs fit into your housing dollar allowance. In some areas you may only need a large attic fan or window fans for cooling.

Room air conditioners are individual units installed in a window or through a wall. The amount of space they cool depends largely on the capacity of the unit. Before you buy a room air conditioner consider:

- the cooling power needed for the area to be cooled. The dealer can recommend the right size for your house or apartment.
- local restrictions or, if you live in an apartment, the management's restrictions on installing and operating air conditioners.
- the electric power available in your home and the power required for the unit. If the power is not adequate, find out what it will cost to put in special wiring for an air conditioner.
- where and how the unit can best be installed in your home for effective operation.
- the price of the air conditioner as well as installation and operating costs.
- features that add to your satisfaction. These may include soundproofing, fan controls, thermostats, fresh air and exhaust controls, moisture removal, air filters, decorative appeal.
- a warranty to cover parts and servicing for a specified period.

Central air-conditioning systems are designed to cool the entire house. They may be installed separately or in combination with the heating unit. If you are considering a central air-conditioning system, ask several heating and cooling contractors or a utility company representative to estimate the cooling capacity required for your home, to recommend the best system for the job, and to estimate the cost of equipment, installation and operation. Ask questions concerning the noise an air-conditioning system may create, the warranties and services offered on the unit, whether a central system is better than separate room air conditioners for your home. Compare the information provided by each source before making your choice.

the sales contract

When you have settled on the home you want to buy or build, ask a lawyer to inspect or draw up the necessary contracts and agreements. Be sure you understand all the provisions, particularly those related to:

- ***price, deposits required, completion date.***
- ***titles*** giving a legal description of the property and guarantee that it is free of any prior claim.
- ***liens*** giving contractors, subcontractors, workmen and material suppliers claims against your property for any material or labor supplied but not paid for in full.
- ***waivers of lien or affidavits*** certifying that all bills for labor and material have been paid. Such a waiver should be provided by the contractor at the time he is paid in order to protect your property against any liens or claims.
- ***performance or completion bond*** insuring that the house will be completed. If the contractor cannot finish, the bonding company assumes the responsibility of seeing that the house is finished.

If you must borrow money to buy or build, you should arrange mortgage financing ***before*** you sign a contract with the builder.

how will you finance buying or building?

Unless you are one of the few who can pay cash, you will need to find a lending institution to finance the major cost of buying or building. You will need cash for the expenses that cannot be included in the mortgage. To obtain a mortgage, you make a cash down payment, borrow the rest, promise to repay a certain amount each month over a specified number of years, and pledge the house as security. If you fail to make payments you can lose title to the property.

When you borrow to buy an existing house, the lender normally advances the entire amount of the loan when you sign the mortgage papers. On construction loans, the money is advanced stage by stage as the house is built—the lender pays the final amount when the construction is completed. Because of the additional paper work and inspections at various stages, you normally pay an extra fee for a construction loan.

Today, practically all home mortgage loans are amortized. This means that they are paid off gradually in equal monthly installments of interest and principal combined. While the monthly payments are equal, they are unevenly divided between interest and principal. As the loan is repaid, the amount paid to interest decreases each month and the amount paid to principal increases until at the end of the agreed term, the loan is paid in full. In repaying the loan, you gradually build up ownership or equity.

As inflation pushes both interest rates and home prices upward, other financing arrangements are being developed. Designed to aid both the lender and the home buyer, these include graduated payment mortgages, adjustable mortgage loans and term mortgages. Unlike the mortgage described above, the monthly payment or interest rate may ***not*** remain the same over the life of the loan. Payments are usually amortized, however, and homeowners build up equity as with conventional mortgages. For more details on these and other home mortgage features, refer to pages 32 and 33.

You may be able to include property tax, insurance and special assessments in monthly mortgage payments. The lender then takes care of these expenses when they come due. If tax, insurance or assessments change, monthly payments are adjusted accordingly. This type of arrangement is required on FHA loans.

The premiums for ***mortgage insurance*** may also be included with the mortgage payments. This insurance protects the lender from loss due to payment default by the buyer, and is generally required when the down payment is lower than 20%. FHA and VA loans are the best-known kinds of mortgage insurance; these are guaranteed by the United States government as NHA loans are guaranteed by the Canadian government. Mortgage insurance is also available from private companies, for those who are ineligible for the above. Arrangements are handled through the lender.

comparing home loans...United States

In the United States, the basic types of home financing include conventional loans, loans insured by the Federal Housing Administration (FHA), and loans guaranteed by the Veterans Administration (VA). FHA and VA loans are granted by independent lenders but regulated by the FHA or VA. The best loan for you will depend on your needs and your credit qualifications. The following chart shows that variations exist. Because rates given are subject to change with different lenders and changes in market conditions, it is wise to obtain current rates before you proceed with your mortgage loan.

	Conventional	FHA*	VA
Amount you can borrow	Usually 80% of property value. If up to 95%, private mortgage insurance is required.	97% of the appraised value up to $67,500.	Up to 100% of VA-appraised value, at discretion of lender.
Size of down payment	Difference between amount borrowed and purchase price--usually 20%.	Depends on FHA appraisal. Minimum 3%.	Down payments, if any, at discretion of lender.
Time for repayment	Between 25 and 30 years.	Up to 30 years, at discretion of FHA.	Up to 30 years.
Rate of Interest (rates applicable at date of printing)	12% to 17%. Fluctuates with general mortgate market conditions and the various requirements of individual lenders. Check various sources for best overall terms.	Percent regulated by FHA. 16½% plus ½% for FHA insurance at present time.	Regulated by VA. Currently 16½%.
Special features and characteristics	* flexible; financing can be structured to the needs of the borrower * requires one to three weeks for approval * can sometimes be combined with second mortgate * prepayment usually permitted, sometimes with restrictions * usually permits reborrowing up to the full amount of the paid-up balance if additional funds are needed for remodeling, expanding or other improvements	* insured by FHA to protect lenders * regulated by FHA * permits prepayment without penalty--up to 15% in any one year * includes FHA property appraisal * offers a graduated payment mortgage plan	* veteran must occupy * available only to qualified veterans * guaranteed by VA to protect lenders * permits prepayment without penalty * regulated by VA * requires 5 to 7 weeks for approval * available with lowest down payment, low rates, long repayment period

* Figures refer to owner-occupied housing. FHA insures loans under a variety of programs and conditions on housing of all types. Check with FHA local office or approved FHA lender for information on these programs.

comparing home loans... Canada

In Canada, conventional and government-insured mortgage loans are available. National Housing Act (NHA) loans are granted by approved lenders and insured by the Canada Mortgage and Housing Corporation (CMHC).

	Conventional	NHA
Amount you can borrow	Usually 75% depending on the lender.	95% of the first $60,000. 80% of the next $40,000 and 50% of the balance.
Size of down payment	Difference between amount borrowed and price--usually 25%.	Minimum 5%. May be cash, value of land owned, value of contributed labor, or any combination of these three.
Time for repayment	15 to 25 years.	Up to 35 years--usually 25 years.
Rate of interest (rates applicable at date of printing)	20%, depending on lender and market.	20% - 21%, depending on lender and market.
Special features and characteristics	* flexible * requires 7 to 21 days for approval * usually requires larger down payment * prepayment may be permitted with restrictions available and upon terms	* insured by CMHC to protect lenders against loss by default * CMHC insurance is a one-time charge of 1% of the loan for new homes, 7/8% for existing ones. * regulated by CMHC * available with small down payment and long repayment period * permits partial prepayment after 1 year and total prepayment after 3 years subject to 3 month interest bonus * usually requires 3 weeks to 1 month for approval

sources of home mortgage loans

In the United States, home mortgage loans are available from different types of financial institutions. Each source follows different operating policies and state or federal regulations. Interest rates and charges vary with the type of loan, risk involved, size of the down payment, length of the repayment period, and availability of money to lend. To find the best mortgage loan for your needs, shop around—not only among the different types of lenders but with each group of lenders.

- ***Commercial banks*** make conventional, FHA and VA loans. Their policies on conventional loans may be relatively strict. They normally require 25% to 40% down payment and prefer shorter repayment periods—15 to 20 years.
- ***Savings and loan associations*** specialize in home mortgage lending and make the majority of home loans. They obtain savings from the public, invest this money in home mortgage loans, then pay dividends to savers. Generally, they specialize in conventional loans but may also make FHA and VA loans. Down payment requirements are low, repayment runs between 20 and 30 years.
- ***Mutual savings banks*** are located in 17 states, primarily in the Northeast. Their main function is to invest depositor funds safely at maximum yields. About two-thirds of their assets are invested in mortgages and mortgage-backed securities. They are large holders of FHA and VA loans, and also are a major source of funds for conventional mortgage loans.
- ***Mortgage companies*** originate or arrange conventional, FHA and VA home mortgage financing. Then they normally sell mortgages to insurance companies or other financial institutions but continue to service the mortgage.
- ***The Farmers Home Administration*** (FmHA) makes direct mortgage loans for the purchase or improvement of property in rural communities with a population of less than 10,000 and in certain towns between 10,000—20,000 in population. Normally, these loans are available only when mortgage money is not available from financial institutions. For further information contact local county Farmers Home Administration offices.
- ***Life insurance companies*** grant conventional, FHA and VA loans, but only on a limited basis. Generally, mortgage loans to individuals are handled by mortgage companies or brokers.

In Canada, home financing is available primarily from chartered banks, trust companies, life insurance companies, and mortgage loan companies. In Quebec, savings banks also grant home mortgages.

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costs of home mortgage loans

The amount you pay for a home loan depends on the ***size of the loan,*** the ***interest rate, length of the repayment period, points*** and ***closing costs.***

Interest rates depend primarily on market conditions. When the supply of money is plentiful and demand for loans is low, rates go down. When the supply is limited and the demand is high, rates go up. Rates also may vary with different lenders, in different areas, and with different loans. The interest you pay can make a sizable difference in the total cost of a mortgage. Even a half of a percent difference can mean well over a thousand dollars over a period of years, as shown in the small chart. The length of the repayment period makes a difference too, as shown in the chart below.

Points. By charging points (each point equals 1% of the total mortgage), a lender is able to increase his charges despite a state-imposed ceiling on interest rates. For instance, when a lender charges 2 points on a $40,000 mortgage, the cost amounts to an additional $800.00. Institutions vary in the number of points they charge, so you would be wise to shop around.

Closing or settlement costs. These can vary considerably from one lender to the next, and may cost up to 10% of the mortgage. While some of these costs are fixed—property taxes, title insurance, survey fee, etc.—others can sometimes be negotiated. Be sure to compare all fees and charges when you shop for a mortgage. Since the passage of the amended Real Estate Settlement Procedures Act (RESPA) on June 30, 1976, U.S. residents have found this easier to do. A lender has three business days to send the booklet SETTLEMENT COSTS and a good faith estimate of those costs to a consumer seeking a home mortgage. The booklet explains the settlement process and consumers' rights and remedies under RESPA. This law requires that, upon request, the person conducting the settlement—the lender, title company, attorney or escrow company—must provide a settlement listing of all available settlement costs at least one business day before closing. A final statement of closing costs must be provided at closing.

Monthly Payments* and Total Interest Charges for a 30-year, $60,000 Mortgage Loans at Different Interest Rates

Interest Rates (Expressed as an Annual Percentage Rate)	Monthly Payment	Total Interest Charges (Over 30 years)
12%	$617.17	$162,181.20
13%	663.72	178,939.20
14%	710.93	195,934.80
15%	758.67	213,121.20
16%	806.86	230,469.60
17%	855.41	247,947.60

Monthly Payments* and Total Interest Charges for a $60,000 Mortgate Loan Borrowed at 12%, 13% and 14% with Different Repayment Periods.

Repayment Period	12% Interest, Expressed As An Annual Percentage Rate		13% Interest, Expressed As An Annual Percentage Rate		14% Interest, Expressed As An Annual Percentage Rate	
	Monthly Payment	Total Interest Charge	Monthly Payment	Total Interest Charge	Monthly Payment	Total Interest Charge
10 years	$860.83	$ 43,299.60	$895.87	$ 47,504.40	$930.60	$ 51,792.00
15 years	720.11	69,619.80	759.15	76,647.00	799.05	83,829.00
20 years	660.66	98,558.40	702.95	108,708.00	746.12	119,068.80
25 years	631.94	129,582.00	676.71	143,013.00	722.26	156,678.00
30 years	617.17	162,181.20	663.72	178,939.20	710.93	195,934.80

* Monthly payment figures shown include only principal and the interest charge—actual payments may include taxes and insurance, too.

The ***length of the repayment period*** also affects the total cost of a given amount of credit. Five to ten years difference can cost you several thousand dollars as shown in the chart on the preceeding page.

You can save money on interest charges by making a large down payment and by paying off your loan in the shortest time possible. However, the repayment period should be long enough so that monthly payments will not be a heavy burden on the borrower or jeopardize his ability to meet payments on schedule. It is important to:

- keep some cash reserves for other needs—furnishings, moving costs, closing costs, emergencies.
- keep monthly payments in line with monthly income and living expenses—food, clothing, home maintenance, transportation, recreation, dues, medical care, and other important items.

features of home mortgage loans

In addition to more favorable financing rates and repayment terms, the ***prepayment privilege, open-end mortgage, package mortgage, graduated payment mortgage, adjustable mortgage loan,*** and ***term mortgage*** may offer savings or conveniences that are important to you.

- The ***prepayment privilege*** allows the borrower to pay all or part of the mortgage in advance. VA loans permit prepayment without charge. FHA loans permit prepayment up to 15% of the original loan in any one year. Prepayment policies vary for conventional loans. It may be difficult to obtain a mortgage loan with no restrictions on prepayment, but it pays to shop for the best prepayment provisions available, particularly if there is any chance that you will sell your home before the end of the mortgage term. Some mortgages include a prepayment charge. Should a move be necessary before the mortgage is paid, the homeowner would incur an additional cost in selling his home.
- The ***open-end mortgage*** permits the borrower, after paying off part of his loan, to reborrow up to the amount of the original mortgage. This offers a way to pay for repairs, modernization, remodeling or expanding the home. The open-end mortgage usually provides for reborrowing at one of three rates—1) at the original rate (this is rarely available), 2) at a split rate—the same rate on the unpaid balance of the original mortgage and a new rate on the amount reborrowed, 3) at a new and higher rate for the entire mortgage.
- The ***package mortgage*** permits the borrower to include the cost of equipment that is an integral part of the home in the mortgage loan. Package mortgages are typically offered by builders who equip the house with appliances, fixtures and equipment. It may be an advantage for buyers who have little or no cash reserves to pay for necessary equipment. However, the equipment may need to be replaced before the termination of the mortgage but their cost will be still reflected in the monthly payment.
- The ***graduated payment mortgage (GPM),*** offered through an FHA-insured program and through federally chartered savings and loan associations, allows the borrower to begin homeownership with lower monthly payments than a conventional mortgage would allow. Under a GPM, the homeowner in effect borrows additional money during the early years of the mortgage. It is used to reduce the monthly payments over a five or ten year period. This additional loan is added to the mortgage and is repaid by slightly increasing the payments made in later years. While the total cost of a graduated payment mortgage will be higher over the life of a 25 or 30 year mortgage, it does allow those with low but rising incomes to purchase a home sooner.
- The ***adjustable mortgage loan*** provides the lender and the borrower with flexible mortgage terms to suit their individual needs. Based on an interest-rate index selected by the lender, the interest rate may increase or decrease with no limit as to how high or low it may go. Adjustments in the rate may result in changes in the monthly payment, the length of the repayment, the loan principal or a combination of the three.
- The ***term mortgage.*** Since 1969 most mortgages in Canada—both NHA and conventional—have been written for a minimum term of five years. (In some instances the term may be longer and coincide with the amortization.) At the end of the term, the borrower and lender will normally agree to extend the loan at a mutually acceptable rate of interest. If satisfactory agreement is not reached, the lender is entitled to be reimbursed in full, but without any interest penalty. In such cases the borrower would have to seek alternative financing.

other types of financing

Other types of home financing include the ***real estate contract for deed,*** used primarily by buyers who cannot obtain a mortgage, the ***second mortgage,*** used by buyers who do not have enough cash for the required down payment or for other investment purposes, and ***home improvement loans,*** used by homeowners who want financing to repair, remodel or improve their home.

The ***real estate contract for deed*** is an arrangement between the buyer and the seller in which the buyer agrees to pay a fixed amount on the contract, usually by means of installments. When the fixed amount has been paid, the seller agrees to give the buyer the deed to the property. The usual penalty for default is loss of any down payment and monthly payments already made.

Since the legal status of this type of contract is somewhat cloudy in many areas, generally, it is not advisable to enter into such an agreement, even if it means putting off homeownership.

The ***second mortgage*** can cover all or part of the difference between a first mortgage and the selling price. This type of credit may be available from the seller, private sources, or commercial lenders. The buyer receives legal title to the property and the lender obtains a secondary claim which normally can be enforced only after the first mortgage is paid in full. However, if the borrower pays on the first mortgage but defaults on the second, the holder of the second mortgage can foreclose. Interest charges on second mortgages are generally higher because of risk to the lender.

The second mortgage can be used for additional financing *if* the holder of the first mortgage will permit secondary financing and *if* the borrower can handle two mortgage payments. However, most borrowers who can pay on two mortgages at once would qualify for a larger first mortgage. Generally, buyers who do not have enough cash for a down payment would be wise to wait until they can save the needed amount rather than use a second mortgage.

If you are currently a homeowner, however, a second mortgage can be a valuable source of cash credit. Homeowner's equity—the difference between the existing mortgage and the market value of the house—is an increasingly popular source to tap for important large expenditures. Because your home is security for the loan, a second mortgage should not be taken lightly. Sound reasons for borrowing may include financing the children's education, investing in additional real estate, or making major home improvements (discussed in more detail below). All are major investments which require a large cash outlay and will most likely increase in value over time.

Generally, second mortgages are made up to 85 percent of the amount of equity in your home, with repayment periods ranging from 36 to 180 months. While the annual percentage rate varies with the size of the loan and the amount of time you take to pay it off, in the long run second mortgages can be less expensive than refinancing an existing mortgage at today's interest rates.

Home improvement financing is available through open-end mortgages, refinancing an existing mortgage, second mortgages, FHA-, VA-, or FmHA- insured home improvement loans (long- and short-term), and personal loans. Other sources include life insurance loans on the cash value of the borrower's policy, and loans from private individuals.

Your choice of a financing plan and a lender will depend largely on the amount of money you need and the length of time you want for repayment. Generally, long-term financing offers larger amounts of money, lower rates, longer repayment periods, and lower monthly payments. However, the total finance charge on a long-term loan at relatively low rates will be greater than the total cost of a short-term loan at higher rates.

Since home improvements often run into sizable amounts of money, it pays to consider plans for altering

and improving your home carefully in terms of your needs and your financial situation. To decide whether you want to improve your home, determine how much it will cost . . . how much it will contribute to better family living . . . how much it will increase the value of your property.

Before you borrow money to improve your home, shop carefully for: 1) a competent contractor to do the work, 2) the most suitable financing arrangement, 3) a reputable lender who offers the type of financing, the conveniences, and the services you need at a reasonable cost. Remember to compare all fees and charges when you shop for credit.

the consumer credit protection act

In the United States, all real estate credit extended to an individual for purposes other than business (unless the business purpose is agricultural) is covered by the Consumer Credit Protection Act which became effective July 1, 1969.*

For a first mortgage to purchase or construct a residence, the law requires that creditors must disclose finance charges as an ***annual percentage rate.*** The annual percentage rate is the ratio of the dollar finance charge to the amount of money in use during the life of the contract, expressed as a percentage rate per year. Disclosure of annual percentage rate represents no basic change in real estate credit practices for a first mortgage since interest charges traditionally have been disclosed in this manner. However, as a result of the law, charges such as loan closing fees and points must be included along with interest when figuring the annual percentage rate. In ***all*** other types of consumer credit, the law requires lenders to disclose charges as both ***an annual percentage rate*** and ***a dollar cost.***

Another major change required by the law is the three-day cancellation rule. In any credit transaction where a customer's home is or may be used as collateral (except for a first mortgage), the creditor must provide a specific notice of the customer's right to cancel the transaction. If a customer uses his right to cancel, he must mail or deliver a copy of the notice or any other written statement that identifies the transaction to the lender no later than midnight of the third business day. The customer is not liable for any finance or other charge, and any lien on the residence as a result of the transaction becomes invalid.

During the three-day period, the lender cannot make any changes in the property, perform any work or services, or distribute any money other than in escrow. The reason for this rule is to allow the customer to think over any decisions that might have been made in haste. However, in a real emergency situation, such as to repair a furnace in the middle of winter or to replace windows shattered by a storm, the law permits the customer to give up the right to cancellation.

* In Canada, each province has its own real estate act and consumer protection legislation.

Before signing any financing agreement, have answers to these questions.

- When can you get the loan?
- What is the interest rate expressed as an annual percentage rate? Is it subject to change during the term of the mortgage?
- What other charges and fees must you pay? Ask for an itemized list.
- What down payment is required?
- How many years do you have to repay the loan?
- What is the amount of your monthly payments? Will the payments fit your spending plan?
- Do monthly payments include taxes and insurance? If not, how much should you set aside to pay these costs?
- What insurance is required? Does it protect you as well as the lender? If not, what additional insurance will you need?
- Will the loan be sold? If so, where will you make payments?
- Can you pay all or part of the loan in advance? What are the limitations or penalties on prepayment?
- What are the penalties for late payment?
- What are the provisions for making property changes or improvements before you pay off the loan?
- Can you borrow more on the original mortgage for remodeling or repairs?

title search

When a person purchases a home or property, the title is transferred to him by means of a written document called a ***deed.*** Many people believe that if they obtain a deed, this is adequate proof they own the property. This is not always so.

A deed states that the seller is transferring his ownership of the property to you. However, it does not show who else may have rights to the property through a mortgage, a judgment, unpaid taxes, etc.—nor does a deed change these rights in any way.

Therefore, before completing any real estate transaction, you should be certain that the ownership of property is clearly defined and that there are no prior liens or claims. In fact, a lending institution will require proof that title to the property is clear before it will grant a loan.

To determine ownership of property, a search of the public records is made. In some communities, the search is done by a lawyer—often from the public records department. In other communities, it is done by a title insurance company that not only makes its own search of the title records but also issues a title insurance policy.

There are many things that cause titles to become unmarketable. These include any liens, imperfect descriptions, name variations, defective executions or acknowledgments of recorded deeds, occasionally forgeries, etc. A title

insurance policy guarantees that the owner will not suffer a loss from some of these defects or liens but not all of them. Every purchaser should know the specific coverage of the title insurance policy purchased. Title insurance will ordinarily pay the amount of loss up to the value of the property but not more than the amount of the title policy. Unlike other types of insurance, the premium is paid only once—at the time the policy is granted.

It is to the advantage of the buyer to always have the deed or mortgage recorded immediately. All states have laws relating to the filing and recording of real estate deeds and mortgages. They are filed with a designated public official such as the County Recorder, Recorder of Deeds, or the Registrar of Titles.

what insurance do you need?

Property insurance is available in different kinds of policies to protect you against the financial losses that are possible when you own a home and/or personal property. The cost of insuring your home and possessions will depend on the value of your property, the type and amount of coverage you buy, and the insurance rates in your area. A qualified, experienced insurance agent can help you decide what kind and amount of coverage you need for your property and what it will cost. Be sure to buy your insurance from a reputable company and deal with a reliable broker, agent or salesperson who lives in your area and can give prompt service on claims.

A word of caution: No matter which policy or coverage you elect, it is imperative that you keep up to date. With inflation and other factors causing housing costs to skyrocket, you do not want to be caught short of coverage if disaster strikes. See if the insurance company provides an "inflation rider" in their policies, which automatically increases coverage as the value of your house increases. Or, call your agent annually to review your policy.

The ***standard fire insurance policy*** protects homeowners against fire and lightning plus damage from smoke and water when caused by fire. For a slightly higher premium, fire insurance can be written with "extended coverage" to protect against damages caused by windstorm, hail, smoke, explosion, riot, vehicles and falling aircraft. If you buy your home with a mortgage loan, the lender will require you to carry fire insurance at least equal to the amount of the mortgage. However, you do ***not*** have to buy coverage from the lender.

A ***homeowners policy**** provides protection against a number of risks under a single policy. You can buy a homeowners policy for less than you would pay to cover

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*The homeowners policy is available in Canada, but coverage varies. Check with a local insurance agent for detailed information.

each risk with a separate policy. You also gain the convenience of handling only one policy and one premium. A homeowners policy includes both property and liability coverages up to the stated limits.

- ***Property coverage*** includes 1) ***house, garage and other private buildings*** on your lot, 2) ***personal property and possessions*** whether in your home or elsewhere, 3) ***additional living expenses*** which may occur when you cannot live in your home because of damages caused by a peril against which you are insured.
- ***Liability coverage*** includes 1) ***personal liability*** which provides legal defense against lawsuits that may be filed against you if someone is injured on your property or if you accidentally damage someone else's property, and it pays damages if you are legally liable or at fault, 2) ***medical payments*** for injury to others, 3) ***the property of others*** when damaged by you or a member of your family.

There are three major forms of the homeowners policy—the ***Basic Form*** which covers the first 11 risks in the chart on the following page . . . the ***Broad Form*** which covers all 18 risks . . . the ***Comprehensive Form*** which covers these 18 risks and all other perils except those listed at the bottom of the chart. The ***Contents Broad Form or Tenants Form*** is a policy for renters which covers personal possessions against the 18 risks described in the chart and includes additional living expenses and liability coverage.

The ***Condominium Unit-Owners Form*** is similar to the Tenants Form but somewhat expanded. There also is a ***mobile home policy*** which has basically the same coverage as the Homeowners Broad Form. Its premiums are higher than those charged for policies on conventional houses, because of construction differences in mobile homes and their greater susceptibility to wind damage.

perils against which properties are insured

homeowners policy

In addition to property and liability insurance, many families buy extra life insurance to provide funds for paying off their mortgage if the breadwinner dies or is disabled before the mortgage is paid. Your need for this protection will depend on your overall insurance program and whether or not this coverage is included in your mortgage agreement. Discuss the matter with your insurance agent or counselor.

To make the most of your insurance:

- know what type of coverage your insurance provides, what it costs, and when premiums are due.
- keep a list of your possessions and their replacement value.
- review your insurance program with your agent periodically.
- report losses to your agent promptly with all details he needs to make your claims.

FORMS*			PERILS	
COMPREHENSIVE		BASIC	1. fire or lightning 2. loss of property removed from premises endangered by fire or other perils 3. windstorm or hail 4. explosion 5. riot or civil commotion 6. aircraft	7. vehicles 8. smoke 9. vandalism and malicious mischief 10. theft 11. breakage of glass constituting a part of the building
	BROAD		12. falling objects 13. wight of ice, snow, sleet 14. collapse of building(s) or any part thereof 15. sudden and accidental tearing asunder, cracking, burning or bulging of a steam or hot water heating system or of appliances for heating water	16. accidental discharge, leakage or overflow of water or steam from within a plumbing, heating or air-conditioning system or domestic appliance 17. freezing of plumbing, heating and air-conditioning systems and domestic appliances 18. sudden accidental injury from artificially generated currents to electrical appliances, devices, fixtures and wiring (TV and radio tubes not included)
			All perils EXCEPT: flood, earthquake, war, nuclear attack, and others specified in your policy. Check your policy for a complete listing of perils excluded.	

* Chart reprinted with the courtesy of Insurance Information Institute, 110 William Street, New York, New York 10038.

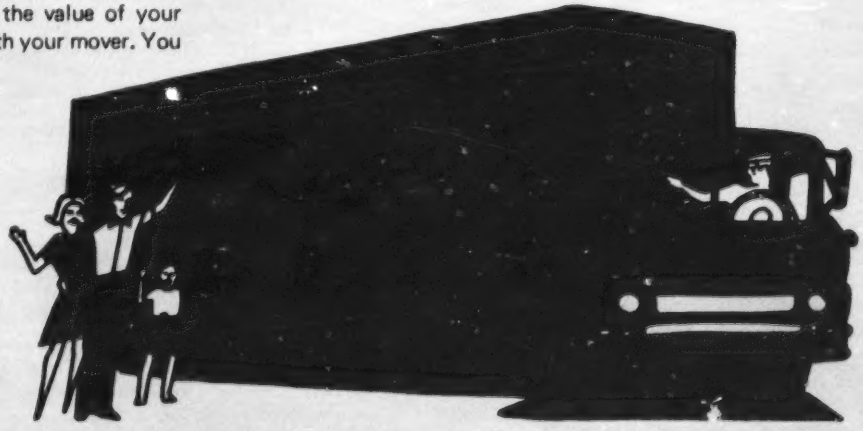
how should you plan a move?

Moving into a new home, a different neighborhood, or another city provides an opportunity to meet new people ... become acquainted with a different area ... make a fresh start in the home and on the job. You can make moving easier by selecting a reputable mover and preplanning your move. This will help you keep costs at a minimum, too.

To facilitate a smooth move:

- ***Contact one or more recommended movers for an estimate of charges.*** Friends, relatives or your employer may be able to recommend a moving company. Decide on a mover and set your moving date as early as possible. The cost of moving locally is usually determined by per-hour rates in the area and the number of movers doing the job. The total cost would include the loading and unloading of the van, the driving time between the old and new residence, and any packing or other service charges.

  Long-distance moving costs are based on a combination of distance moved and weight of the household goods, plus any insurance costs and special services provided by the mover. These can only be estimated in advance. To do so, the mover must come to your house or apartment and see exactly what goods are to be moved and services needed. Be sure the mover notes everything you want moved, in order that the estimate be as accurate as possible. The actual charges are determined after the shipment has been loaded on the moving van and weighed.
- ***Discuss services with the mover.*** Moving companies can perform a number of services in connection with moving your household goods. However, you pay extra for such services as packing, disconnecting and reconnecting appliances, dismantling fixtures. Consider what extra services you need and what you can afford. Be sure the mover knows in advance what services you want.
- ***Discuss payment at this stage, too.*** Unless you or your employer have made other arrangements in advance, you will be expected to pay the mover with cash, money order, or certified check immediately after the unloading.
- ***Consider the protection your goods should have in transit.*** It is advisable to have a good idea of the value of your furnishings before discussing insurance with your mover. You



should find out how much is provided free of charge, and the cost of extra protection. Be sure you fully understand the meaning of "released valuation" and the three basic methods of declaring it, because the method chosen determines the carrier's maximum liability in case of loss or damage.

- ***Be present*** if possible, or have a responsible person represent you, when furnishings are being packed, loaded and delivered.
- ***Check carefully before the van is closed*** to see that nothing has been forgotten. It is costly to ship items separately at a later date.
- ***Be patient***—yours may not be the only move scheduled by the movers on your moving date. Reputable movers will make every effort to meet your loading and delivery schedule.

To preplan a smooth and economical move:

- Remember that the peak moving periods are June, July and August (especially at the end of the month).
- Sell or give away items that are of no further use to you.
- Save time and money by making necessary arrangements in advance and having everything ready for the move. If you live in an apartment building, reserve the elevator for the day and time of your move.
- Pack with unpacking in mind—seal and label cartons as to contents and location in the home (bedroom, kitchen, bath). You can keep packing charges at a minimum by packing some items yourself. Consider professional packing for the more valuable or fragile since movers may not be responsible for breakage of articles you pack.
- Send change of address notices to post office, insurance companies, creditors, banks, magazine publishers, newspapers. For uninterrupted deliveries, notify publishers six weeks in advance.
- Collect important records from schools, doctors, lawyers, insurance agents, if you are moving to a different city.
- Cancel services and deliveries of milk, newspapers, laundry, telephone, utilities. Be sure to pay final bills before you move.
- Check with utility or appliance companies for suggestions on moving equipment (refrigerator, range, freezer, dishwasher). Have appliances disconnected, serviced and ready on moving day.
- You may be eligible for U.S. Federal income tax deductions on some moving expenses. Check with the local office of the Internal Revenue Service for detailed information.

Whether you live alone or with your family . . . whether you rent or own . . . whether you live in the city, suburbs or country—your home is the center of living. Over the years you will spend a good share of your income for housing. You will get more for your money if you decide in advance what is most important to you in a home and in location. Figure out how much you can afford to spend on housing, and look until you find a home that meets both your needs and your spending and saving plan.

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